

STATE OF LOUISIANA LEGISLATIVE AUDITOR

New Orleans Notarial Archives
New Orleans, Louisiana

October 1, 2003



Investigative Audit

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Daryl G. Purpera, CPA, CFE

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October 1, 2003

MR. WILLIAM PRATT, CUSTODIAN
NEW ORLEANS NOTARIAL ARCHIVES
New Orleans, Louisiana

Transmitted herewith is our investigative report of the New Orleans Notarial Archives. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our findings and recommendations as well as your response. Copies of this report have been delivered to the Honorable Eddie Jordan, Orleans Parish District Attorney, and others as required by state law.

Respectfully submitted,

Grover C. Austin, CPA
First Assistant Legislative Auditor

HCW:JLM:DGP:dl

[NOTARIAL03]

Executive Summary

Investigative Audit Report New Orleans Notarial Archives

Background (*See page 5.*)

The New Orleans Notarial Archives (NONA) was founded in 1867 and holds some forty million pages of signed acts compiled by the notaries of New Orleans. Louisiana Revised Statute (R.S.) 35:322 states that the original of every authentic act, except chattel mortgages and acts relating to real property outside of Orleans Parish, should be filed and endorsed by the custodian of notarial records for the parish of Orleans. The custodian is appointed by the governor for a four-year term and must be a practicing attorney at law and notary public in the parish of Orleans. The Notarial Archives main reading room and filing office are located in Room B-4 of the Civil District Courts Building in downtown New Orleans. The current custodian of notarial records is Mr. William Pratt.

An employee of NONA discovered that a deposit ticket had been altered and funds were possibly missing. Thereafter, management discovered additional altered deposit tickets and notified the legislative auditor. This investigative audit was performed to determine the propriety of this information and to establish the cause and amount of missing funds if possible.

Findings (*See page 7.*)

From May 2002 through March 2003, at least \$4,178 was collected by NONA but was not recorded in the agency's records nor deposited into the bank account. In addition, had we reviewed additional deposits during this period, it is likely that the amount missing would exceed \$4,178.

The internal accounting controls and procedures did not ensure that all collections were recorded and deposited into the NONA bank account. Weaknesses in the internal control structure were found in five areas:

- Adequacy of records
- Segregation of duties
- Access and key control
- Reconciliations
- Mail handling

During the period January 2002 through March 2003, Mr. Jerry Mouton billed NONA \$8,220 for 137 days of cleaning services. However, records indicate that Mr. Mouton was only in the building on 72 of these days. The Louisiana Code of Governmental Ethics provides, in part, that public employees shall not enter into contracts with their public agency.

For the last ten years, management has given full-time employees an additional day off before or after each legal holiday--a practice referred to as "skeleton day." NONA lacks sufficient documentation to determine the cost of the practice. This practice may violate certain provisions of the Louisiana Constitution prohibiting the donation of public funds.

Recommendations (*See page 13.*)

Management of NONA should take significant steps to improve its internal accounting controls and safeguard its assets including:

1. Separate duties so that individuals collecting funds are not responsible for making the deposit nor reconciling collections to the deposit
2. Establish a mail log for checks received through the mail and reconcile the mail log to the daily transaction ledger and cost sheets
3. Deposit all collections intact and in a timely manner
4. Limit access to collections to as few employees as possible
5. Use prenumbered deposit slips and limit access to the deposit slips
6. Limit the number of keys to the safe
7. Use prenumbered certified copy slips and limit access to the certification slips
8. Purchase a bank bag that can be locked
9. Ensure that the ledgers, cost sheets, and cash register are routinely reconciled to the deposits per the bank statements
10. Ensure that the daily ledger and cost sheets contain all documentation to fully explain each transaction
11. Ensure that supervisors are performing performance appraisals on a regular basis, reviewing the control processes verifying that all employees are adhering to the controls, reviewing the collections, reconciliations, and deposits on a routine basis
12. Ensure that multiple cashiers do not operate from a single register simultaneously thereby preventing management from holding a single cashier responsible for the collections
13. Create categories on the cash register for every type of transaction
14. Discontinue allowing employees to void transactions without management approval
15. Reinforce with cashiers the importance of recording each transaction accurately

16. Record the notary exam fees in a ledger and reconcile this ledger to the daily cash register summary report
17. Review the provisions of the Louisiana Code of Governmental Ethics with all employees and require an annual certification as to their compliance
18. Cease doing business with Mr. Mouton as an outside contractor and seek recovery for all amounts paid where services were not rendered
19. Seek recovery of the \$685 included in the deposits altered by Ms. Barrett
20. Require employees to fill out detailed time sheets that accurately reflect the day's activities including the time they began work, any absences, and the time they left for the day
21. Discontinue paying employees for holidays that are not in accordance with state law

Management's Response (*See Attachment I.*)

During the audit, Mr. William Pratt, Custodian of Notarial Archives, purchased a new safe, began segregating duties, and began using prenumbered deposit tickets in an attempt to prevent future incidents and improve internal control. Mr. Pratt will also install a new cash register system and video cameras to prevent future incidents and to improve internal control. The recommendations mentioned in this report that have not been implemented will be implemented as soon as possible. In addition to the new internal control measures, Notarial Archives has stopped contracting with Kelly Janitorial Services, a company owned by an employee, and has eliminated the practice known as "skeleton day."

Additional Information (*See Attachment II.*)

In his response, Mr. Pratt incorrectly stated that the legislative auditor has audited Notarial Archives annually for the last 12 years. The legislative auditor has not conducted the audit of Notarial Archives for the last 12 years but has approved the audit engagement between Notarial Archives and its privately hired CPA. In his response, Mr. Pratt also incorrectly stated that the legislative auditor "opined that there is not enough evidence to bring forth criminal action against any one individual." This report details facts regarding certain transactions. It indicates that the provisions of Article 7, Section 14 of the Louisiana Constitution and R.S. 42:1113 of the Louisiana Code of Governmental Ethics may have been violated. In addition, this report is being provided to the District Attorney for Orleans Parish who, at his discretion, shall determine whether any individual is subject to formal charge for violation of one or more Louisiana criminal statutes. This report does not express an opinion as to the sufficiency of evidence to bring forth criminal action against any one individual.

Background and Methodology

The New Orleans Notarial Archives (NONA) was founded in 1867 and holds some forty million pages of signed acts compiled by the notaries of New Orleans. Nearly every property transaction that has occurred since the founding of the city was recorded by or found its way to the Notarial Archives. The Notarial Archives main reading room and filing office are located in Room B-4 of the Civil District Courts Building in downtown New Orleans.

Louisiana Revised Statute 35:322 states that the original of every authentic act, except chattel mortgages and acts relating to real property outside of Orleans Parish, should be filed and endorsed by the custodian of notarial records for the parish of Orleans. The custodian is appointed by the governor for a four-year term and must be a practicing attorney at law and notary public in the parish of Orleans. The current custodian of notarial records is Mr. William Pratt.

On March 18, 2003, Ms. Lisa Bush, one of four cashiers at NONA, discovered that the deposit she prepared the previous day had been altered. The check and cash totals had been adjusted; cash had decreased by \$120 and checks had increased by the same amount.

The following day, Mr. Louis Blaum, deputy custodian, reconciled the checks in the March 18, 2003, deposit to NONA records. He discovered a \$120 check in the deposit that was not recorded in the collection records. Mr. Blaum discovered 19 additional altered deposit tickets and six deposits where the original deposit tickets were missing.

The procedures performed during this investigative audit consisted of (1) interviewing NONA employees and officials; (2) interviewing other persons as appropriate; (3) examining selected records; (4) performing observations and analytical tests; and (5) reviewing applicable state laws and regulations.

Findings

FUNDS COLLECTED BUT NEITHER RECORDED NOR DEPOSITED

From May 2002 through March 2003, at least \$4,178 was collected by New Orleans Notarial Archives (NONA) but was not recorded in the agency's records nor deposited into the bank account. In addition, had we reviewed additional deposits during this period, it is likely that the amount missing would exceed \$4,178.

NONA receives checks, money orders, and cash for filing fees, copies, and other document handling services. These collections are received both over-the-counter and through the mail. Certain of these fees are recorded in a receipts ledger while others are recorded on prenumbered cost sheets. Transactions are entered into a single cash register operated by four cashiers.

At the end of each business day, the cashiers close out the register thereby generating a detailed and summary report (Z-Tape) of the current business transacted. They should reconcile the summary report to the ledger and cost sheets verifying that all collections were accurately recorded. The checks, money orders, and cash should then be counted, agreed to the summary report, and entered onto a deposit ticket. The deposit ticket, checks, money orders, and cash should be placed by one of the cashiers into a safe pending deposit on the following day.

During the period May 2002 through March 2003, 26 deposits were altered after the original deposits were prepared; for six of these deposits, the original deposit ticket was missing from NONA records. Bank records of the actual checks, money orders, and cash included in these deposits indicate that checks totaling \$4,178 were substituted into these deposits for cash that was removed. For example, on May 16, 2002, the cash register summary report showed that \$4,676 was collected for services rendered. A deposit ticket was prepared showing \$291.50 in cash and checks amounting to \$4,384.50 for a total deposit of \$4,676. Subsequently, another deposit ticket was prepared for this same day. This subsequent deposit ticket lists cash of \$196.50 and checks amounting to \$4,479.50 for a total deposit of \$4,676. Therefore, between the two deposit tickets, \$95 in cash was removed and \$95 in checks, not recorded by the cash register, was substituted. Bank records show that the actual deposit included two additional checks totaling \$30 that were also not recorded by the cash register, ledgers, or cost sheets.

In summary, it appears that previous to the preparation of the first deposit ticket, checks totaling \$30 that were not recorded as received in NONA records were placed in the collections and substituted for \$30 cash which was removed. Later, after a deposit ticket was prepared listing the checks and cash included, another check was substituted for cash and another deposit ticket prepared. In total, it appears that checks totaling \$125 were substituted in this one deposit for cash that was removed and is now missing.

This investigative audit focused on the 26 deposits that included altered deposit tickets. Many of the original deposits included checks that appear to have been substituted for recorded collections. Had we reviewed all deposits made by NONA the amount of missing funds would

likely be in excess of \$4,178. We did examine, for comparative purposes, daily deposits 40 days before our suggesting revenue controls and 40 days after NONA instituted the controls.

Upon entering NONA on March 21, 2003, we observed weak controls for the revenue collecting and reporting functions and suggested improved controls for those functions. Mr. Louis Blaum, deputy custodian, implemented the suggested controls. Mr. Blaum informed us that business did not vary during the year. Therefore, if all revenue collected was reported, a comparison of revenues 40 days before suggesting controls and 40 days after should remain steady. However, the comparison revealed that deposits increased substantially after the controls were put into place.

Cash deposits had the greatest change. Cash collections totaled \$9,619 in the 40 days before the implementation of the controls and increased to \$17,241 in the 40 days after the controls were in place--a difference of \$7,622. This represented an overall increase of 79% in cash deposited. The amount of checks deposited was almost the same, \$268,132 before the controls and \$268,696 after implementation of the controls--a difference of \$564. This suggests that checks were collected and deposited into NONA's bank account, but cash was collected and not deposited into the account. Total deposits during this period were \$277,751 before the controls and \$285,937 after the suggested controls were implemented. Overall, the office collected \$8,186 more in the 40 days following the implementation of the controls.

On May 6, 2003, Ms. Beth Barrett, filing clerk and cashier, admitted that eight of the altered deposit slips accounting for \$685 of the missing funds were in her handwriting. Though Ms. Barrett maintained that she did not take any funds from these deposits, she offered no explanation as to why she prepared the subsequent deposit tickets. None of the cashiers admitted responsibility for preparing the remaining altered deposit tickets. In addition, two of the remaining cashiers and Mr. Jerry Mouton, clerk supervisor, stated that they did not take any of the funds missing from these deposits.

INTERNAL CONTROLS DID NOT ENSURE THAT COLLECTIONS WERE RECORDED AND DEPOSITED

The internal accounting controls and procedures did not ensure that all collections were recorded in the books and deposited into the NONA bank account. Weaknesses in the internal control structure were found in five areas:

- **Adequacy of records**
- **Segregation of duties**
- **Access and key control**
- **Reconciliations**
- **Mail handling**

Adequacy of Records

Filing clerks and cashiers record customer charges on a receipts ledger, cost sheets, and cash register. The usefulness of these records is greatly diminished by their form and the practices and the carelessness of NONA staff. For example:

1. The receipts ledger does not specify the amount received from each customer. Rather, checkmarks and/or codes are entered into columns and require interpretation to determine the amount collected.
2. The names entered onto the receipts ledger do not always correspond to the names on the check received. In some instances, the clerks enter the name of the individual submitting the check rather than the name of the company receiving the services and specified on the check.
3. The ledger does not always specify whether the payment was made by check or cash.
4. Though cost sheets are prenumbered, many were missing.
5. Though cost sheets have specific boxes indicating whether the payment is by cash or check, cashiers do not always enter a checkmark in these boxes.
6. The cash register keeps track of the amount of cash and checks paid by each customer. However, cashiers stated that they routinely make mistakes when recording this information resulting in the cash register's summary report not agreeing to the cash/check composition of the actual deposit.
7. Cashiers cash personal and business checks out of the register.
8. Cashiers add or void transactions in the cash register to force the reconciliation of the register's summary report to the ledger and cost sheets.
9. Deposit tickets and cost sheets were missing from the records.
10. Checks and money orders received through the mail were not recorded in a log.

Separation of Duties

The functions of receiving, reconciling, and depositing collections should be separated to increase the integrity of the collections process. Four NONA cashiers have access at all times to a single cash register. The register does not identify the cashier entering any given transaction. Therefore, no single cashier is responsible for the accuracy of the amounts recorded or the collections the register maintains. Any one of four cashiers prepares the daily reconciliation and the daily deposit and places the deposit in the safe.

Access and Key Control

Six NONA employees have access to the cash register, the deposit slips, the daily deposit, and the safe along with keys to the safe. Other employees know of a spare key to the safe. Several employees have access to the unlocked bank deposit bag when one of them takes the bag to the bank.

Reconciliations

Cashiers close out the cash register at the end of the day and prepare a close out sheet. The register's summary report and the close out sheet are compared in totals only. The daily cash totals and daily check totals are not reconciled. NONA receives approximately \$85,000 each year in annual fees from notaries. A record of fees is kept, but the record is not reconciled to collection/deposit records. Furthermore, NONA administers the notary exam, which generates a \$50 fee. Notary exam fee records are not reconciled to collection/deposit records.

Mail Handling

NONA receives payments for its services through the mail. Checks and money orders received through the mail are not recorded in a log and reconciled to deposits. No one assures that payments received are entered in collection records. Several individuals have access to unopened mail. Also, mail delivered on Saturdays is left unsecure until Monday morning.

EMPLOYEE ENTERS INTO CONTRACT WITH AGENCY

During the period January 2002 through March 2003, Mr. Jerry Mouton billed NONA \$8,220 for 137 days of cleaning services. However, records indicate that Mr. Mouton was only in the building on 72 of these days. Furthermore, the Louisiana Code of Governmental Ethics provides, in part, that public employees shall not enter into contracts with their public agency.

Since 1991 Mr. Mouton, clerk supervisor, has had a verbal agreement with NONA to clean the office twice a week. These duties are not part of his employment agreement and are being paid to him as a contract laborer. These duties included emptying the trash, vacuuming the floor, and cleaning the kitchen. He stated that he provides these services after the office closes on Wednesday nights and on weekends, normally on Saturdays. He receives \$60 per day and invoices NONA every two weeks. The name of his cleaning service is Kelly Janitorial Services.

Mr. Mouton stated that he cleans the office only when the building is closed. Access to the building after 6:00 p.m. is limited to individuals possessing a secure access card. Mr. Mouton has such a card. To determine whether Mr. Mouton entered the building, after hours, on the dates specified on his invoices, we reviewed the entry/exit logs generated by the card access system and maintained by the Orleans Parish Civil Sheriff. According to the logs for the period January 2002 through March 2003, Mr. Mouton was in the building on 72 of the 137 days he invoiced NONA for cleaning services. No record of Mr. Mouton entering or exiting the building was found for the remaining 65 days. Mr. Mouton billed NONA \$3,900 for services on these 65 days.

Mr. Mouton stated that he routinely accesses the building using his access card but on some nights the use of his access card is not necessary. According to Mr. Mouton, the building is open on Wednesday and Friday nights until approximately 9:00 p.m. because the city cleaning crew is in the building. He would seldom need his access card to enter the building on these nights.

Mr. Mouton also stated that his card was broken during February 2002¹ and guards let him in on cleaning days.

According to Mr. Craig McGehee, assistant chief of the Civil Sheriff, the civil district courts building is locked at 6:00 p.m. and is unlocked at 6:30 a.m. the following morning during the week. On Friday, the building is locked at 6:00 p.m. and unlocked at 6:30 a.m. Monday morning. Entry into and exit from the building when locked is controlled by access card through one door. This door is monitored 24 hours a day seven days a week by deputies of the Orleans Parish Civil Sheriff.

Ms. Michelle Rodney, judicial administrator for the Civil District Court, stated that though the door is monitored, employees could let other people in the building thus no record of them entering the building would exist. Ms. Rodney also stated that it is possible that the cleaning crew propped the door open allowing anyone access to the building.

Both of these situations could explain why the access records only indicate Mr. Mouton entering or exiting the building on 72 of the days for which he billed NONA. These situations, however, do not explain why Mr. Mouton was allowed to contract with his agency.

The Louisiana Code of Governmental Ethics provides, in part, that public employees shall not enter into contracts with their public agency.²

EMPLOYEES GRANTED AND PAID FOR ADDITIONAL HOLIDAYS

For the last ten years, management has given full-time employees an additional day off before or after each legal holiday--a practice referred to as "skeleton day." In addition, NONA lacks sufficient documentation to determine the cost of the practice.

On the skeleton day, approximately half of the staff is off and the other half work. There is no official, written policy regarding skeleton days. Mr. Blaum estimated that NONA had six to seven skeleton days in 2002.

As a result, full-time employees receive pay for days off in addition to their legal holidays and earned annual and sick leave. Management does not require employees to keep detailed time and attendance records and therefore the actual costs of these additional days off cannot be determined.

¹ We did not include monies paid to Mr. Mouton for services rendered during February 2002 in our calculations.

² **R.S. 42:1113** provides, in part, that no public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of the public servant.

Article 7, Section 14 of the Louisiana Constitution,³ in part, prohibits management from donating public funds to its employees by giving them paid days off in addition to those provided by state law.

This report indicates that the provisions of Article 7, Section 14 of the Louisiana Constitution and Louisiana Revised Statute (R.S.) 42:1113 of the Louisiana Code of Governmental Ethics⁴ may have been violated. In addition, this report is being provided to the district attorney for Orleans Parish who, at his discretion, shall determine whether any individual is subject to formal charge for violation of one or more Louisiana criminal statutes.⁵

³ **Article 7, Section 14 of the Louisiana Constitution** provides, in part, that except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private.

⁴ **R.S. 42:1113**, p. 11

⁵ **R.S. 14:67** provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

R.S. 14:72 provides, in part, that forgery is the false making or altering, with intent to defraud, of any signature to, or any part of, any writing purporting to have legal efficacy.

Recommendations

Management of the New Orleans Notarial Archives should take significant steps to improve its internal accounting controls and safeguard its assets including:

1. Separate duties so that individuals collecting funds are not responsible for making the deposit nor reconciling collections to the deposit
2. Establish a mail log for checks received through the mail and reconcile the mail log to the daily transaction ledger and cost sheets
3. Deposit all collections intact and in a timely manner
4. Limit access to collections to as few employees as possible
5. Use prenumbered deposit slips and limit access to the deposit slips
6. Limit the number of keys to the safe
7. Use prenumbered certified copy slips and limit access to the certification slips
8. Purchase a bank bag that can be locked
9. Ensure that the ledgers, cost sheets, and cash register are routinely reconciled to the deposits per the bank statements
10. Ensure that the daily ledger and costs sheets contain all documentation to fully explain each transaction
11. Ensure that supervisors are performing performance appraisals on a regular basis, reviewing the control processes verifying that all employees are adhering to the controls, reviewing the collections, reconciliations, and deposits on a routine basis
12. Ensure that multiple cashiers do not operate from a single register simultaneously thereby preventing management from holding a single cashier responsible for the collections
13. Create categories on the cash register for every type of transaction
14. Discontinue allowing employees to void transactions without management approval
15. Reinforce with cashiers the importance of recording each transaction accurately;
16. Record the notary exam fees in a ledger and reconcile this ledger to the daily cash register summary report
17. Review the provisions of the Louisiana Code of Governmental Ethics with all employees and require an annual certification as to their compliance
18. Cease doing business with Mr. Mouton as an outside contractor and seek recovery for all amounts paid where services were not rendered
19. Seek civil recovery of the \$685 included in the deposits altered by Ms. Barrett

20. Require employees to fill out detailed time sheets that accurately reflect the day's activities including the time they began work, any absences, and the time they left for the day
21. Discontinue paying employees for holidays that are not in accordance with state law

Attachment I

Management's Response



WILLIAM L. PRATT
CUSTODIAN OF
NOTARIAL RECORDS

Notarial Archives

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September 16, 2003

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Mr. John Morehead
Louisiana Legislative Auditors
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Re: Response To Findings Of The Louisiana
State Legislative Auditor's Remarks of
2003 Audit

Dear John:

Please find enclosed is Management's Response To Findings Of The Louisiana
State Legislative Auditor's Remarks of 2003 Audit.

With kindest regards, I remain,

Yours very truly,

William L. Pratt

WLP/rob
Enclosure

MANAGEMENT'S RESPONSE TO FINDINGS OF THE
LOUISIANA STATE LEGISLATIVE AUDITOR'S REMARKS OF 2003 AUDIT

INTRODUCTION

In March of 2003, employees of the Notarial Archives discovered a scheme wherein a certain employee was changing deposit slips and/or altering deposit slips to reflect a deduction in cash being deposited that was ultimately stolen. Upon this discovery, the office contacted the Attorney General's office who referred Notarial Archives to the Legislative Auditor's Office. The Legislative Auditor was contacted to provide assistance to the Notarial Archives office in assessing the amount of monies which had been stolen and to assist in identifying the employee responsible for the scheme.

1.

During this period of time the Office of Notarial Archives performed its own internal assessment by reviewing documents, deposit slips, daily receipt work papers and other related documents and felt strongly that a certain individual had been identified as the most likely culprit. During this same period of time, the Legislative Auditors felt they had identified a different party after that party made certain admissions during questioning. The party identified by employees of the Notarial Archives was interviewed only one time and quickly left the employ of the Notarial Archives after working there for more than six (6) years. This individual also admitted to destroying certain records prior to her leaving the employ of Notarial Archives. As a result of the aforementioned, new controls were installed to deter any future theft and new controls are being added in the form of a new cash register system as well as video cameras to be installed for surveillance of the register and its entries. Other controls implemented immediately include, but are not limited to, the numbering of deposit slips, the purchase of a new drop safe, segregating the notarial dues from the general receipts, limiting specific employees to (a) opening the mail; (b) accessing the cash registers; (c) preparing the daily receipt reconciliation; and (d) preparing the daily deposit. The 20 recommendations of the Legislative Auditor will be implemented in due course if not yet implemented.

2.

The Notarial Archives is the final repository of all original acts affecting immovable property, and other notarial acts and therefore, these acts must be guarded and protected by trusted individuals. Prior to the Custodian William Pratt taking the position of Office Custodian, a contractual relationship existed between Kelly Janitorial Services, Inc. and the Notarial Archives. The principal of Kelly Janitorial Services, Inc. is an employee of the Notarial Archives. The Custodian was told initially that the City of New Orleans cleaning crew was to be the party to provide janitorial services to the Notarial Archives. However, security concerns arose and the services rendered were inadequate. The previous Custodian arranged for Mr. Jerry Mouton to provide the janitorial services and in the opinion of the current Custodian, those services have been reasonable and adequate. The problem with the arrangement appears to be that the proper procedure should have been instead of contracting with Mr. Mouton as an independent

contractor, the procedure should have been to pay Mr. Mouton additional wages for the services and make it part of his job description. Once the Legislative Auditor brought this issue to the attention of the Custodian, an opinion was sought from the Ethics Board who confirmed that the proper procedure should be that he be paid additional wages and that it be made part of his job description. This has been done and no contract currently exists for janitorial services.

3.

The Legislative Auditor has taken issue with the longstanding practice of the Office of Notarial Archives giving its employees "skeleton crew" days which in essence are paid days off to make up approximately five (5) to seven (7) days per employee per year. Prior to the current Custodian taking office, this practice had been ongoing and was part of the compensation of the Notarial Archives employees. In that the Office of Notarial Archives pays on average approximately \$10,000.00 less than its counterparts in the Office of the Recorder of Mortgages and Registrar of Conveyances, the skeleton crew days were a way to compensate and keep employees in exchange for paying much lower salaries.

The Legislative Auditors have determined that this practice may be contrary to the Louisiana State Constitution. The Legislative Auditors also stated to the Custodian of Notarial Archives that said practice may be proper if it is incorporated within the Employee Handbook as part of the compensation of being an employee of the Notarial Archives. However, in order to dispel any motion or appearance of any wrongdoing, the Custodian of Notarial Archives for the Parish of Orleans has eliminated this portion of compensation to its employees effective as of the month of May, 2003.

CONCLUSION

The Office of Notarial Archives has been audited annually by the Legislative Auditors Office for at least the last 12 years. There have been no noted instances of any problems with controls, problems with the providing of janitorial services, nor any questioning of the skeleton days. Furthermore, there have been no other infractions of any kind noted in any of the prior audits performed at the Notarial Archives under the current administration. The Custodian of the Notarial Archives for the Parish of Orleans requested and welcomed this audit and has fully cooperated with the Office of Legislative Auditor in order to comply with its findings. It was hoped and anticipated that the individual who made it necessary for the audit to be incurred, would have been identified, arrested and prosecuted for embezzlement of State funds. At this time the Office of the Legislative Auditor has opined that there may not be enough evidence to bring forth a criminal action against any one individual. The Custodian of Notarial Records for the Parish of Orleans has notified the District Attorney's Office for the Parish of Orleans as has the Legislative Auditor of the theft and any further investigation will be at the pleasure of the District Attorney's office. If there are any further questions regarding these findings, please feel free to contact William L. Pratt at 568-8577.

Attachment II

Additional Information

Additional Information

In his response, Mr. Pratt incorrectly stated that the legislative auditor has audited the New Orleans Notarial Archives (NONA) annually for the last 12 years. The legislative auditor has not conducted the audit of Notarial Archives for the last 12 years but has approved the audit engagement between Notarial Archives and its privately hired CPA. In his response, Mr. Pratt also incorrectly stated that the legislative auditor “opined that there is not enough evidence to bring forth criminal action against any one individual.” This report details facts regarding certain transactions. It indicates that the provisions of Article 7, Section 14 of the Louisiana Constitution and Louisiana Revised Statute 42:1113 of the Louisiana Code of Governmental Ethics may have been violated. In addition, this report is being provided to the District Attorney for Orleans Parish who, at his discretion, shall determine whether any individual is subject to formal charge for violation of one or more Louisiana criminal statutes. This report does not express an opinion as to the sufficiency of evidence to bring forth criminal action against any one individual.

